PUBLIC SERVICE EDUCATION ASSISTANCE ACT OF 1989

HEARING

BEFORE THE

SUBCOMMITTEE ON THE CIVIL SERVICE

OF THE

COMMITTEE ON POST OFFICE AND CIVIL SERVICE HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST SESSION

ON

H.R. 2544

A BILL TO AMEND TITLE 5, UNITED STATES CODE, TO ALLOW DEGREE TRAINING FOR FEDERAL EMPLOYEES IN CRITICAL SKILLS OCCUPATIONS, TO ALLOW FOR REPAYMENT OF STUDENT LOANS FOR CERTAIN FEDERAL EMPLOYEES, AND FOR OTHER PURPOSES

JULY 27, 1989

Serial No. 101-17

Printed for the use of the Committee on Post Office and Civil Service

U.S. GOVERNMENT PRINTING OFFICE

22-172 WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

H621-35

COMMITTEE ON POST OFFICE AND CIVIL SERVICE

WILLIAM D. FORD, Michigan, *Chairman*

WILLIAM (BILL) CLAY, Missouri
PATRICIA SCHROEDER, Colorado
ROBERT GARCIA, New York
MICKEY LELAND, Texas
GUS YATRON, Pennsylvania
MARY ROSE OAKAR, Ohio
GERRY SIKORSKI, Minnesota
FRANK McCLOSKEY, Indiana
GARY L. ACKERMAN, New York
MERVYN M. DYMALLY, California
THOMAS C. SAWYER, Ohio
PAUL E. KANJORSKI, Pennsylvania
MORRIS K. UDALL, Arizona
RON DE LUGO, Virgin Islands

BENJAMIN A. GILMAN, New York
FRANK HORTON, New York
JOHN T. MYERS, Indiana
DON YOUNG, Alaska
DAN BURTON, Indiana
CONSTANCE A. MORELLA, Maryland
THOMAS J. RIDGE, Pennsylvania
ROD CHANDLER, Washington
(Vacancy)

PATRICIA F. RISSLER, *Staff Director*
ROBERT E. LOCKHART, *General Counsel*
ADRIENNE FIELDS, *Deputy Staff Director and Chief Clerk*
JOSEPH A. FISHER, *Minority Staff Director*

SUBCOMMITTEE ON THE CIVIL SERVICE

GERRY SIKORSKI, Minnesota, *Chairman*

PATRICIA SCHROEDER, Colorado
FRANK McCLOSKEY, Indiana

CONSTANCE A. MORELLA, Maryland
THOMAS J. RIDGE, Pennsylvania

DENNIS McGRANN, *Subcommittee Staff Director*

CONTENTS

Statement of:	Page
Constance B. Newman, Director, Office of Personnel Management	2
L. Bruce Laingen, executive director, the National Commission on the Public Service	9
John Dean, special counsel, Consumer Bankers Association	13

PUBLIC SERVICE EDUCATION ASSISTANCE ACT OF 1989

THURSDAY, JULY 27, 1989

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON THE CIVIL SERVICE,
COMMITTEE ON POST OFFICE AND CIVIL SERVICE,
Washington, DC.

The subcommittee met, pursuant to notice, at 1:10 p.m., in room 304, Cannon House Office Building, Hon. Gerry Sikorski (chairman of the subcommittee) presiding.

Mr. SIKORSKI. The Subcommittee on Civil Service will come to order.

This afternoon the subcommittee will examine H.R. 2544, the Public Service Education Assistance Act of 1989. H.R. 2544, introduced by Mr. Gilman and Chairman Ford, provides Federal agencies the flexibility to pay or reimburse employees for degree training in critical skills occupations. The bill authorizes agencies to also pay all or part of student loan debt for certain Federal employees.

As the Volcker Commission's findings point out and as OPM will freely admit, the Federal Government is having a hard time recruiting and retaining talented, young professionals for public service.

During the past few months, hearings held by the Post Office and Civil Service Committee on the recommendations of the National Commission on the Public Service, the Volcker Commission, have documented the Federal Government's inability to competitively recruit for top talent with the private sector. H.R. 2544 is one of the first legislative proposals of the 101st Congress to address the problems of recruitment and retention.

Although it needs some fine tuning, the bill as a whole is an excellent idea. Today we will take the opportunity to discuss the proposed legislation and to evaluate its effectiveness as a recruiting tool.

Joining us this afternoon are: the Director of the Office of Personnel Management, Constance B. Newman; the Executive Director of the National Commission on the Public Service, Ambassador L. Bruce Laingen; and in place of Mr. Robert J. Davis, Jr., who could not make it here this afternoon, Mr. John Dean, special counsel of the Consumer Bankers Association, will present Mr. Davis' testimony. Not the John Dean that some may expect. [Laughter.]

We will begin with Constance B. Newman, Director of the Office of Personnel Management. Once again we are extremely pleased to

welcome you. The Director has appeared before us once before, and I'm sure we're going to see much more of her. And we are extremely encouraged by her support of Federal employees throughout the Government and in her activities today. Director Newman, welcome.

STATEMENT OF CONSTANCE B. NEWMAN, DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

Ms. NEWMAN. Thank you, Mr. Chairman, and thank you for inviting me to appear to discuss H.R. 2544, entitled the "Public Service Education Assistance Act of 1989."

As we enter the next decade, the Federal Government, like other employers, is going to need an increasingly educated work force. New technologies and the drive for greater efficiency are going to require greater skills from our employees, at the same time that demographic changes are going to make it harder for us to find workers who already have the skills we need.

Both the Volcker Commission and OPM's own *Civil Service 2000* report have pointed out this problem. And it is essential that we begin taking steps immediately to ensure that our future work force will have the people with the education and the skills we need.

This concern led the Office of Personnel Management to propose legislation earlier this year which is incorporated as section 2 of H.R. 2544. As you know, this section would allow limited exceptions to the general prohibition against Federal agencies paying for training the sole purpose of which is to permit an employee to obtain an academic degree. Job-related training is, of course, permitted under the current law, and this generally allows payment for almost all courses in a job-related degree program. However, many private employers offer full payment of degree training to help recruit key skills, and the government's bar against degree training can be a significant disadvantage in a highly competitive labor market.

Section 2 of H.R. 2544 would allow exceptions from the general prohibition on degree training when needed to assist Federal agencies in staffing positions in shortage or critical skills occupations. OPM would have regulatory responsibility for this authority, and we would expect to use this responsibility to ensure that exceptions would be granted only where needed in order to control costs and provide reasonable uniformity among the Federal agency training programs. Under this authority, you would generally be subject to the normal training rules, including the employee service agreements based on training in non-Government facilities.

Section 3 of H.R. 2544 deals with a different aspect of the issue of recruiting employees in critical skills occupations. This section, as you know, would authorize Federal agencies to repay student loans of employees in positions that require highly qualified professional, technical, or administrative personnel, in return for the employees entering into agreements to serve for at least three years.

This is one approach of several that have been suggested recently as to how best to attract graduates with needed skills. Last year this committee considered legislation that included a Government

fellowship program, and the Volcker Commission has recommended a presidential public service scholarship program. We in the administration are not certain if the loan repayment approach is the most cost effective in helping the Government recruit and retain the employees it needs. We certainly, to be honest, have not given enough consideration to how much this approach would cost or to whether the benefits would justify the cost.

For example, we would not want to induce people to work for the Government just long enough to qualify for loan repayment and then move elsewhere. At the same time, we need to consider the equity of a recruitment incentive that would have no value for those who have already paid their own way through college.

Although we are s ll reviewing the desirability of the underlying approach of section 3, it is already clear at this point that there are a number of problems with the language of section 3. For instance, the language as drafted includes no provision for central regulatory authority to ensure uniformity among the agencies in administering the program. While the repayment program would be limited to highly qualified professional, technical, or administrative personnel, we believe it would be essential to limit the coverage to shortage or critical skills occupations where there is difficulty in recruiting or retaining employees, in the same way that section 2 is limited.

Under section 3, an employee would not have to repay any loan payments the agency has made even if the employee fails to complete an agreed-upon period of service, which we think is not appropriate.

Another clear deficiency is that there would be no limit in statute or authority for a regulatory limit on how large a repayment commitment could be made in return for the service agreement.

Finally, I think that we would have to examine carefully the administrative feasibility of having agencies make the loan repayments to whatever entity the employee would otherwise make these payments to.

Even if these administrative concerns with the language of section 3 were to be addressed, however, we cannot indicate a position on this section's enactment because of the cost-benefit and equity considerations I outlined previously.

In summary, we would urge the subcommittee to act favorably on section 2 of H.R. 2544, but to reject at this time section 3.

And I thank you, and I'm available to answer questions.

Mr. SIKORSKI. Thank you. Before that, we will ask the chief sponsor of the legislation, Congressman Gilman, for his opening statement.

Mr. GILMAN. Thank you, Mr. Chairman. I first of all want to thank you for holding the hearing in such an expeditious manner.

I was pleased to sponsor this measure along with Chairman Ford. Chairman Ford and I introduced the legislation together last month as one of several legislative initiatives that our committee will undertake to implement the recommendations. The Commission on the Public Service.

Last Spring the full committee held a series of hearings, as you know, on the Volcker Commission recommendations. The Commission detailed the critical state of affairs that is confronting our

Federal civil service and it submitted to the President and Congress a comprehensive list of recommendations for improving the state of the public service. It was in that vein that Chairman Ford and I sponsored this measure, H.R. 2544.

The purpose of our bill is to make the Federal Government the employer of first choice for many of our Nation's young students. The measure allows Federal agencies to repay all or part of a Federal student loan of a potential college recruit in exchange for Government service, sort of a GI bill for civil servants.

In addition, I included in the legislation provisions relating to agency reimbursement for employee degree training expenses in order to enhance the Federal Government's competitive efforts in retaining exceptional employees.

This bill represents a first step in addressing many of the serious issues raised by the Volcker Commission that were presented to our committee.

I commend the Office of Personnel Management for its oversight and foresight in proposing initiatives regarding tuition assistance for Federal employees. In addition, I'm indebted to our good friends and colleagues, Senators Ted Stevens and David Pryor, for their efforts in formulating major provisions of the bill affecting student loan repayments.

Mr. Chairman, we can no longer afford to ignore the critical state of personnel affairs in which our Federal Government finds itself. And I look forward to hearing from our witnesses today and encourage any constructive criticisms they may have concerning the measure.

I want to thank you again for holding this timely hearing, and I look forward to working with other members of the committee for early passage of the legislation.

Mr. SIKORSKI. I thank the gentleman.

Ms. Newman, in your testimony, you support section 2, the training provision, and have reservations on section 3. Let me focus on that section 3 and comment that there is a substitute being circulated which would first define the term "agency" in section 3 of the bill, one of the issues you raised. We ask you take a look at that and respond back to the subcommittee on that definition.

It would secondly establish a penalty for employees who leave the public service before their commitment period ends, another point that you have raised. And we ask your review of that.

And third, the substitute would provide you with regulatory authority to implement the program, another of the issues you raised and we hope would be addressed in that.

You mentioned the need for a regulatory limit on how large a repayment could be made. Currently the bill provides 100 percent of the loan burden could be paid by an agency. Do you have any ideas of what an appropriate limit would be? Were you focusing on dollars as well as percentages?

Ms. NEWMAN. We were focusing on dollars as well because, Mr. Chairman, as you recognize, in our consideration of almost all of these proposals, we are looking at the budgetary impact, the total budgetary impact. So, in weighing or comparing this proposal against a scholarship proposal, against the proposal of the Volcker Commission on something similar to the military academy, we are

going to have to look at what is the dollar impact of each of these. So, we suggest that percentages would not be enough. We were trying to look at the bottom line.

Mr. SIKORSKI. Thank you.

The bill establishes a minimum of 3 years of Government service to participate in the program. Do you think 3 years is appropriate? Or how about 4 years?

Ms. NEWMAN. I don't know. I think under one of the other Acts, there is a 5-year commitment and I don't know that we have to go that long. And three is probably a fairly standard time.

The concern is that we have some assurance that the kinds of people, if you go with this type of an approach, actually have an intent to participate in public service, and that they aren't just using this as a vehicle to repay their loans. And whether or not a three year limitation provides enough assurance that you get at least some benefit from having participated in this, I don't know.

Mr. SIKORSKI. My final question is on the hook that keeps them in or requires them, if they move out of the program, to repay. A recent decision by the Comptroller General held that the IRS could require reimbursement for the costs of employee's graduate level training where the employee signed an agreement to remain in Government service for 33 months and an employee left the IRS after 11 months is the specific example.

There is no similar provision in this bill that would allow agencies to require reimbursement for payments made to an employee for repayment of his or her own should the employee leave government employment before the time agreed upon. The bill states an employee will simply resume payment of the loan.

Do you think the Government should have some penalty available to encourage employees to fulfill their obligation?

Ms. NEWMAN. That, Mr. Chairman, would probably be helpful. I think, though, that what is more important is that we create an environment that is convincing enough to the young people coming through the colleges, the high schools and in the colleges, that public service is honorable and that we provide the compensation and benefits sufficient to keep people in and keep it challenging.

With respect to penalties—first of all, you have to ensure that the Department of Justice's resources are sufficient to allow prosecutions, and this might not be high on the list. So, inserting penalties isn't the main approach. I think we have a larger responsibility of creating an environment which would be such that people who come through one of these programs where we provide incentives, that they have an interest in staying.

And that doesn't directly answer your question. I think every time you——

Mr. SIKORSKI. You're just saying the carrot is the more important part of it.

Ms. NEWMAN. Right.

Mr. SIKORSKI. I agree.

Do you have an opening statement?

Mrs. MORELLA. Mr. Chairman, thank you. I am going to simply ask in the interest of time that my opening statement unanimously be accepted into the record.

Mr. SIKORSKI. God bless you. We're going to send a congressional certificate of appreciation for that. [Laughter.]

[The prepared statement of Mrs. Morella follows:]

STATEMENT OF HON. CONSTANCE A. MORELLA

Mr. Chairman, I am pleased to be a cosponsor of H.R. 2544, the "Public Service Education Assistance Act of 1989."

In an era when scientific and technological skills are interwoven in every facet of life, when a basic high school degree is barely a basic degree, and information is available as in no other time in history, we need to encourage training and education.

Young people today are forced to pay exorbitant fees for this necessary higher education for which many of them take loans which take many years to repay.

Mr. Chairman, many of these college graduates will be deterred from joining public service because it is well known that salaries in the Federal Government, particularly in metropolitan areas such as Washington, New York, and San Francisco, lag behind the private sector. We cannot expect new graduates to pay these student loans and establish homes in these areas without some enticement—particularly if the provate sector offers better benefits and salary.

The Committee on ost Office and Civil Service and this subcommittee have been extremely active in proposing remedies for our ailing Government personnel system in terms of attracting and retaining qualified employees. I am pleased to note that the Office of Personnel Management also recognizes the immense problems we face and will face as the concept of public service becomes eroded.

Mr. Chairman, the purpose of H.R. 2544—in my mind—goes beyond repayment of student loans and allowing degree training for Federal employees in critical skills occupations. It also emphasizes qualification and quality of the Federal employee and the Government's interest in education.

I congratulate the ranking member or the committee, Mr. Gilman and Chairman Ford for introducing this important bill and you, Mr. Chairman, for your ever enthusiastic interest in promoting the best for the Federal employee. If there are any technical or substantive problems with H.R. 2544, I hope that they will be corrected in order that the provisions of the legislation may be acted on expeditiously.

Thank you, Mr. Chairman.

Mr. SIKORSKI. Congressman Gilman, the gentleman from New York.

Mr. GILMAN. Thank you, and I thank you, Mrs. Newman, for being here today.

You have some reservations about our section 3 in the bill. Of course, that is a section that we attribute to our good Senators, and you might have to discuss that with them. [Laughter.]

Ms. NEWMAN. I'm sure they will be discussing it with me.

Mr. GILMAN. It is an important provision. After all, we are trying to provide some incentive. We want to put some real teeth in allowing some young people to have a repayment by the Government. It is similar to what we do in the GI Bill. I mentioned it in my opening remarks. We are giving training. It is due credit by giving repayment as long as they stay in the Government service. So, I would hope you would take another look at all of that and maybe give it some constructive suggestions that would put us both on the same track.

You mentioned that there are other agencies that have a similar program. Which agencies?

Ms. NEWMAN. Well, the CIA has a program which accomplishes somewhat the same that we would expect here, and I have asked the staff to come back with what some of their experiences have been. And I will introduce that into the record.

Mr. GILMAN. They give full reimbursement?

Ms. NEWMAN. I don't think it is full. I think there is a partial reimbursement.

Mr. GILMAN. I understand there is a Defense Department Program for loan repayment as well.

Ms. NEWMAN. I think it's the security agencies in Defense.

Mr. GILMAN. Well, it's targeted to the health profession which are in the selected reserve.

Ms. NEWMAN. Well, I'm not aware of that.

Mr. GILMAN. And the maximum repaid for employees is now some $20,000. And I understand it would be raised to $40,000 by a provision in the Senate defense authorization bill. The maximum amount repaid each year is now $3,000, and that would be raised to $6,000. And I might call your attention to that.

Ms. NEWMAN. There is also under Health and Human Services, in the Public Health Service, doctors, particularly working in disadvantaged areas, who receive 100 percent in exchange for, I think it is 5 years of public service.

Mr. GILMAN. Well, I think all of these move in the right direction. That's why I hope you would withdraw any objections you have to our bill after taking another look at it.

You say that the coverage of the loan repayment provisions in the bill should be limited to shortage or critical skills occupations where there is difficulty in recruiting or retaining employees. As you know, the bill already limits these provisions to highly qualified professional, technical or administrative personnel.

Are there any positions that require highly qualified professional, technical or administrative personnel which do not need a recruitment enhancement such as the one we are proposing?

Ms. NEWMAN. Well, Congressman, there are highly professional administrative positions, management positions, which are not necessarily engineers or doctors. And what we are saying is that we are having much more difficulty with the scientists and the engineers than we are, frankly, with lawyers and with accountants and some of the other areas where there is a need for people, but it is not as critical. We are having a difficult time in recruiting engineers, and we are having a difficult time in recruiting scientists at NIH and at NASA, as you know. And what we are saying is that if we are going to have special programs, we ought to concentrate the resources in the areas where we have shortage categories.

Mr. GILMAN. I hope you bear in mind that while you may be recruiting some, you are not getting the best. For example, lawyers can go out and earn starting salaries of $50,000 to $60,000 at major law firms and the government pays what? Twenty-five thousand dollars to $26,000 for a young attorney to start. So, you are losing the top notch attorneys as one example of what could happen in the professional field. While you may be getting a sufficient number to apply, you may not be getting the cream of the crop.

Ms. NEWMAN. There is a showing of a major gap in the amount paid to lawyers, but as a matter of fact, we are not having difficulty recruiting lawyers.

Mr. GILMAN. I recognize that. What I am saying is top notch lawyers will be attracted to the better firms that are paying more, and the purpose of this is to make us competitive with the private sector to be able to attract good people to Government.

Your agency did monitor the committee's Volcker Commission hearings. What are your plans in your agency for legislative proposals to implement the commission's recommendations?

Ms. NEWMAN. We have been meeting on a regular basis with the members of the Volcker Commission. As a matter of fact, we had a meeting 2 days ago and again today to talk with representatives of the commission about their various proposals. We are in the process now of looking at the proposals, attempting to cost them out.

Congressman, you understand on each proposal which is not budget neutral, there is an obligation on our part and a pressure on our part. If we move forward, we must show the budgetary impact. Although the Volcker Commission made recommendations, it didn't necessarily cost them out.

And so, what we are doing on some of the proposals is sitting down with Volcker Commission people and I have someone on my staff who is working full-time with responsibility of following up on the Volcker Commission recommendations. And we may fairly soon be coming forward with some proposals in certain of the areas where, frankly, we will have determined the budgetary impact. Those where it is much more difficult to do the cost-benefit analysis will take us much longer. And those that are going to turn out to be fairly expensive, I rather doubt that we will be coming forward at too early a time while we are now trying to get a pay proposal through. It's real work making the tradeoffs. I am not sure how fast we will be coming with those that are fairly expensive.

Mr. GILMAN. We look forward to seeing some of your recommendations down the road.

Are you doing anything to enhance the competitive recruiting stance of OPM on college campuses?

Ms. NEWMAN. Well, we have heard from the Volcker Commission and from the deans of the schools of public administration and university representatives around the country that there is not a significant presence on college campuses. We have been trying through some of the job fairs to have a greater presence.

What we have found is that ofttimes the people who go on the college campuses are people who understand the personnel laws, but are not necessarily that enthusiastic about the substance of the jobs. And we are talking about putting together teams of people to go on the campuses, part of the team being people who are working in the substantive areas. We are looking to have engineers as part of the team.

The other——

Mr. GILMAN. Excuse me. You don't have these teams out there now.

Ms. NEWMAN. There are some, but there are not that many.

Mr. GILMAN. How many teams are there out there?

Ms. NEWMAN. We have just had a number of job fairs where people have gone. There was one here not too long ago. There was one in Albuquerque. There are some teams going into the historically black colleges, but when I hear back from the college presidents—President Brademas said he has not seen a Federal recruiter in years.

So, I have to say to you that I need to go behind the data that I have, to find out, in fact, where people are going. There is a budg-

etary impact of that, but the other agencies will have resources available to send representatives out on these recruiting efforts.

Mr. GILMAN. I have no further questions. Thank you, Ms. Newman. Thank you, Mr. Chairman.

Mr. SIKORSKI. Thank you, Mrs. Newman.

Does the gentlewoman from Maryland——

Mrs. MORELLA. Ms. Newman, you know what I would love to see. I know you have the ongoing meetings. I would love to see your proposal for something that would provide this kind of incentive through education.

I'm later going to a markup in Science, Space and Technology where we are going to be looking at a math and science scholarship program. Public service will be perhaps one part of it.

But I read your statement expressing some of the problems you see in the bill. I just think if you came up and said these are the points it should have, that would help us. Would you not agree, Mr. Sponsor and Mr. Chairman?

Mr. SIKORSKI. Yes.

Mr. GILMAN. Yes.

Mrs. MORELLA. Fine. I thank you very much.

Mr. SIKORSKI. Thank you. I appreciate your testimony.

Our second witness today is Ambassador L. Bruce Laingen, the Executive Director of the National Commission on the Public Service. We want to welcome you. We thank Mr. Laingen for all his hard work and continued support of efforts to improve the status of America's civil service. Mr. Laingen, welcome.

STATEMENT OF L. BRUCE LAINGEN, EXECUTIVE DIRECTOR, THE NATIONAL COMMISSION ON THE PUBLIC SERVICE

Mr. LAINGEN. Thank you and other members of the committee for giving me an opportunity to testify on behalf of the Volcker Commission in support of the bill you are considering today that would offer repayment of student loans for certain Federal employees.

I think it is fair to say—and you said it yourself in your opening statement—that if any one concern has been pervasive in meetings of this commission over the past 18 months, it has been that which is evident as well in what I think is the concept behind this legislation. Too few of our young people today see Government service as a preferred career choice. Too often it is a career of last resort. And if that concern is true —and we think it is on the basis of the work that we have done—then we have a problem in the years ahead.

For that state of affairs there are many reasons. Some are to be found in broad attitudinal shifts in our society that only time will change. There is also the perception of many of our young people that Government is so damned big and so cumbersome and complex that they cannot hope to find an exciting career within it. And I am pained to say in the aftermath of the events of the last few weeks that ethical shortcomings and policy mistakes by Government turn them off as well. And bureaucratic bashing by Government leaders certainly has taken its toll.

Government recruiting on college campuses is more often than not desultory and unimaginative. And I think you have heard that

from many quarters. Not least, as well, entry level payment in Government is increasingly noncompetitive with the private sector. That fact, combined with slow procedures by Government in hiring on the one hand and students loans to repay on the other, often makes Government even for those who actually seek Government service an unattractive career choice.

We think the legislation that you are considering today is an imaginative and sensible concept in dealing with the short-term consequences of this larger problem. We see it as a practical way to help get young people started on their careers. It combines that help with what is important, an obligation to serve and to serve with merit. It helps where the need in Government is greatest: highly skilled, professional, technical and administrative people, those who can help make the Government run and serve effectively. And for that reason it seems to us that it promises to be cost effective.

We see it, of course, from the Volcker Commission's standpoint as only one step in dealing with the larger need, one that the Volcker Commission's report made the subject of one of its three basic themes. We called it enriching the talent pool, finding ways to ensure that Government at all levels in our society and our system attracts and has available to it that creative energy and enthusiasm that young people in particular can bring to bear.

That is going to require something being done about that. It will require action on many fronts, from stronger emphasis on civic education in the Nation's school curricula, to better recruiting on college campuses, to the obligation resting on the Nation's leadership at all levels to build the concept of public service—or to rebuild it, if I might say—as an honored and rewarding profession, one that is central to the purposes of a free and democratic society.

It is for that reason, for that purpose, that caused the commission to place the emphasis it has on one of the recommendations in its own report, and that is that the President and the Congress act to establish a prestigious public service scholarship program targeted—suggested in our report—to 1,000 students annually. To ensure that such a program would be broadly representative of the country, we envision that eligible students would be nominated by you, by Members of Congress, along lines similar to the practice of our military academies. We recommend that those who are selected should pursue their education at colleges and universities in their own States where they live and that they be selected in a competitive process that makes a special effort to attract minorities.

We see this kind of program, a scholarship program of this kind, as one that would enhance the prestige and, yes, the dignity of Government service both among our young people and not least among the public at large. And by emphasis on a careful selection process based on academic achievement, it would make its own contribution to the all important element of quality in Government service.

Mr. Chairman, the Commission is well aware that such a program is ambitious and it would be expensive, relatively I would add. But the members of the commission are agreed in the view that it would be a program worthy of the Nation's larger purposes and thus clearly cost effective over time. It is designed to ensure

that public service in Government has the professional content and the status that it deserves as we look toward the 21st century and the growing demands on Government and the shrinking pool of employees too, for that matter. It is a proposal responsive to what is too often forgotten, that the best possible civil service of Government is just as important to the national interest as is the best possible uniformed military service of Government.

The legislation being considered today is an important first step toward that goal, one that surely we all share. The Federal Government should not and must not be seen an employer of last resort for talented young people. By means of a carefully targeted and carefully considered, obviously, effort to help pay student loans by developing a prestigious scholarship program, young people will again be encouraged and excited by public service in Government.

And I would add, Mr. Chairman, that objective of seeing young people encouraged and excited by public service, by the prospect of public service in Government, depends not least on leadership at both ends of Pennsylvania Avenue, talking up public service, reminding our young people, reminding the public out there, that public service in Government can be, must be an honored profession.

Thank you.

Mr. SIKORSKI. Thank you.

The gentleman from New York?

Mr. GILMAN. Thank you. I regret that we are on the second bell.

And I want to welcome Ambassador Laingen before the committee. And we want to once again commend the Volcker Commission for the great work they have done. We hope you will stay with it until it is fully implemented.

On this measure, have you made any cost estimates of what this could cost?

Mr. LAINGEN. We have not.

Mr. GILMAN. I assume it is fairly expensive, and yet, as you say—

Mr. LAINGEN. Are you talking about our recommendation or the—

Mr. GILMAN. Our bill.

Mr. LAINGEN. Your bill. No, we have not done that.

Mr. SIKORSKI. How about yours, if I may?

Mr. LAINGEN. Yes, we have considered that deeply. We see the cost around $18 million to $20 million a year in the first year, going up obviously over a 4-year—if you are assuming 4-year entry in college careers—to around $80 million to $100 million. That it is a lot of money today. But it is not a lot in relative terms, a lot less than a B–2. [Laughter.]

We used to say at the National Defense University when I was vice president over there, that the budget of that school, training the future as that school does, was about half the cost of an F–14.

Mr. GILMAN. And a worthy investment.

Mr. LAINGEN. And a worthy investment.

Mr. GILMAN. I take it you are fully supportive of our measure.

Mr. LAINGEN. Yes, sir.

Mr. GILMAN. We thank you, Mr. Ambassador.

Mr. SIKORSKI. The gentlewoman from Maryland?

Mrs. MORELLA. Well, Ambassador Laingen, it is always good to see you. I associate myself with the remarks of the ranking member of our committee.

Mr. LAINGEN. She says that because I vote in Maryland.

Mrs. MORELLA. That's right.

[Laughter.]

Mrs. MORELLA. One of the things I had thought about with regard to recruiting is planning a conference—similar to a White House conference for small business and for the aging and whatever. Why not a White House conference on public service —well, I guess public service awareness? More than awareness. I want a stronger word. But I'm thinking that one day all high school counselors could be at that conference, and you could work with them in terms of what the opportunities are. The scholarship would help. Of course, that would be part of it. But even in addition to that, as we talked about recruitment, if you can get to those guidance counselors and let them know about the opportunities, they could transmit this to the students.

Mr. LAINGEN. Mrs. Morella, that is one of the things we are thinking of in the course of our added year that we have given ourselves, is to try to promote the concept of an annual conference on public service in this town, involving not simply the choir, but all the other public interest groups around the country that have an interest in quality public service.

Mrs. MORELLA. Terrific. And you know we had a subcommittee meeting where some exemplary public servants appeared before us from diverse agencies who had all done some kind of behind the scene extraordinary work; and they are role models.

Mr. LAINGEN. You remind me also—your reference to college counselors to—

Mrs. MORELLA. And high school counselors.

Mr. LAINGEN. And high school counselors, exactly, because that is where the formative period begins. I am reminded to say that yesterday I spent the day at Wilmington, NC speaking and participating in a conference down there, the Southeastern Federal Recruiting Council. This is a rather unique effort in the area of recruitment. I mentioned this to Connie Morella today. It involves OPM and a lot of other agencies.

Mrs. MORELLA. You mean Connie Newman. We just have so many Connies around here. [Laughter.]

Mr. LAINGEN. Sorry. Forgive me.

Anyway, this conference is running for a couple of days. It involves Federal Government agencies from all over the southeastern States in an organization called the Southeastern Federal Recruiting Council. And what is unique about it is that they bring in, and involve in their membership and sit down for three days, in an annual conference college recruiting officers from colleges all over the south. And they sit down together and talk about how to be more effective, we from the Federal Government and they from the colleges, in recruiting.

I might mention as well, if I may make a point on behalf of another organization in town—that's the Center for Excellence in Government, now called the Council for Excellence in Government. I don't know if you are aware that they are doing currently, with

the help of the Ford Foundation, some pilot programs involving sending people from their organization who were people in Government, political appointees who are now back in the private sector and who are excited by Government service—they send out—they have financed with the help of the Ford Foundation at Emory, Tulane, Wake Forest and Northwestern a series of week-long sessions where these still reasonably young people who have been in Government come out on college campuses and talk it up. That is the best way to recruit, better than brochures any day.

Mrs. MORELLA. Thank you.

Mr. SIKORSKI. We are going to have to cut it off here so we can go over and vote. We thank you for your testimony and support and efforts.

And we will recess momentarily and come back for Mr. Dean's testimony. Thank you.

[Recess.]

Mr. SIKORSKI. Our third witness is Mr. John Dean who is the special counsel of the Consumer Bankers Association. Mr. Dean is testifying in place of Mr. Robert Davis, Jr., who was unable to make it here this afternoon. Mr. Dean, thank you and your organization for assisting us as we take testimony on H.R. 2544.

STATEMENT OF JOHN DEAN, SPECIAL COUNSEL, CONSUMER BANKERS ASSOCIATION

Mr. DEAN. Thank you, Mr. Chairman and other members of the Subcommittee on Civil Service. I am John Dean, attorney with the law firm of Clohan & Dean, and special counsel of the Consumer Bankers Association. I would like to apologize on behalf of Robert Davis of Signet Bank of Maryland who is unable to come today due to an emergency trip to Richmond.

CBA is pleased to testify on the Public Service Education Assistance Act of 1989. My testimony today reflects the views of the Educating Funding Committee of CBA which represents lenders participating in the guaranteed student loan program as authorized under the Higher Education Act of 1965.

Before commenting on H.R. 2544, I would like to take this opportunity to comment on the deep appreciation that all lenders participating in the guaranteed Student Loan Program have for Chairman William D. Ford of Michigan. As you know, Chairman Ford serves on the Committee on Education and Labor and has demonstrated leadership for many years in structuring Federal grants and loan programs to maximize assistance available for needy students to attend institutions of higher education.

The Public Service Education Assistance Act of 1989 is fully consistent with Chairman Ford's record in using Federal support for higher education to further the national good.

CBA is pleased to endorse H.R. 2544 as an additional means of encouraging individuals with critically needed skills to enter the Federal service so as to provide our Government with the expertise needed to succeed in an increasingly technical and complex world.

CBA is aware that many highly trained individuals face significant student loan repayment burdens upon completing their educa-

tion. In the case of individuals with advanced degrees, repayment burdens on all forms of student loans often exceed $500 per month.

The following is an example of the debt burden that may be faced by an AIDS researcher working at the National Institutes for Health [NIH]. A student may have borrowed $15,000 in guaranteed student loans. Those loans are amortized over a 10-year period resulting in $182 a month repayment obligation. They may have also supplemented the limited GSL assistance by getting a supplemental loan for students in the amount of $10,000 over the course of their education. That would result in an additional $143.48 per month over 10 years. They may have also benefited under the NDSL or Perkins Loan Program and borrowed $9,000. For that, they would owe $95.46 a month. And they may have also received a health education assistance loan which is authorized under the Department of Health and Human Services in the amount of $20,000 for which they owe $264.31. The total amount of indebtedness would be $54,000, resulting in $685.25 a month.

I might interject here that students coming out with $54,000 of student loan indebtedness is fairly common these days, especially for people who get an advanced health degree, a Ph.D., an M.D., and in some cases a law degree. And actually there was a student that testified before the Committee on Education and Labor 2 years ago with a student indebtedness exceeding $100,000.

Even if the borrower that I used as an example here consolidates his other loan under the Federal consolidation program, the monthly repayment amount would drop substantially but would still exceed $400 a month. It should be noted that the borrower's repayment term under a consolidation loan would be increased from 10 to 25 years resulting in a substantial increase in the total interest paid over the life of the loan.

An individual facing this repayment burden may and frequently does feel obliged to seek employment with an employer able to provide the highest level of compensation possible and, in most cases, that is not the Federal Government.

Mr. SIKORSKI. And these are not deductible anymore.

Mr. DEAN. The interest on these loans is not deductible anymore. That's correct.

Because of limitations on compensation levels for Federal service, the Federal Government is losing the opportunity of employing many highly qualified individuals. H.R. 2544 would help address this problem.

CBA is pleased that the legislation includes all categories of federally supported loans, including Perkins loans and health education assistance loans, which incidentally enjoy no government subsidy whatsoever. Those are market rate loans and do not have any subsidy except for a guarantee provided by HHS. CBA believes also that the inclusion of a requirement that the employee receiving benefits under the bill resume repayment of his or her loan obligation in the event that the employee fails to meet an acceptable performance level or leaves the program is beneficial to the legislation.

CBA sees no major difficulties in going forward with implementation of this legislation within a speedy time frame. We will be pleased to work with the Office of Personnel Management on the

promulgation of policies and procedures for implementing the new legislation in the event that it is enacted.

Specifically, the establishment of arrangements for the receipt of payments by the lender from the Federal Government may require close examination of existing program regulations to assure that borrower records are appropriately documented especially for cases where limitations on the maximum repayment amount provided under the program results in a residual amount having to be made by the individual student loan borrower. For example, if you limit your program to $500 per month for the individual Federal employee, the borrower may have to complement that with a payment of his or her own to the student loan lender resulting in two payments coming in per month to pay off the loan for that month. That will result in some record keeping problems that we definitely want to address.

You also have some questions resulting in who will be held accountable for delinquency on these loans in the event that there is a paperwork foul-up, and the check comes in late from the Federal Government.

In conclusion, Mr. Chairman, H.R. 2544 is sound legislation which will benefit the Federal Government as well as the Federal employees taking advantage of its provisions. We encourage the subcommittee to act favorably on this legislation.

On behalf of CBA, I appreciate the opportunity to testify here today. I would be happy to respond to any questions that you have.

Mr. SIKORSKI. You responded toward the end to Director Newman's concerns about a system of having agencies pay for these loans, making the payments of these loans. That's not an insurmountable or even a primary obstacle, is it?

Mr. DEAN. No, it's not. The key thing is that last year there were 3.4 million student loans originated. They are serviced on massive computer systems. In the case of a Federal check coming in for the loan, we just want to make sure it gets applied to the correct loan, and that to the extent that it is in an amount less than the amount due on the loan, we are going to have to alter that software so as to make a note that a second check will come in so that the receipt of the first check would not result in a notice back to the Federal Government of an insufficient payment. Ordinarily if a borrower——

Mr. SIKORSKI. Generally, it is not a problem to take money in.

Mr. DEAN. That's right.

Mr. SIKORSKI. That system could be worked out probably pretty quickly.

Mr. DEAN. I think so.

Mr. SIKORSKI. Director Newman also had a question on the penalty provision in the legislation encouraging students to fulfill their commitment. If they say they sign up for 3 years, how they should fulfill that. You talked about resumption of the loan process. What is your feeling on the penalty provision?

Mr. DEAN. I would be opposed to it. I'm not sure that it is necessary. If the program awards are targeted toward the right people, you are going to have people highly motivated anyway, and the stick is not necessary. The carrot will be a benefit because there

are true economic hardships placed on some of these people by entering the Federal service.

One concern that lenders on these loans would have is that in the case of somebody who owed, say, $688 a month, that would be paid for, say, 2½ years on behalf of the Federal Government, a fairly substantial amount. Then they would either not meet the performance criteria or would seek greener pastures elsewhere. Then you would have a repayment obligation placed on them. So, you may actually compound the already close to insurmountable repayment obligation of that borrower by having an additional $200 a month or a lump sum payment that could, in fact, precipitate a delinquency or a default on the loan.

Mr. SIKORSKI. Yes, but they went in for 3 years, and they are not staying in for 3 years.

Mr. DEAN. I will give you my personal opinion on it.

Mr. SIKORSKI. The Public Health Service and these other programs have a penalty provision.

Mr. DEAN. I'm unfamiliar with exactly how those work, and I understand that there may be some political reasons for including it here. My perception in the case of critically-skilled individuals is that even if you get them to serve for 1 year, as opposed to the full 3, that's of benefit to the Federal service.

Mr. SIKORSKI. We might not have the program if we don't have some kind of a hook in there. You know, the other option is if you want people for 3 years, then you slant the payments so that the longer a person stays, the bigger the payment is, and that could wreak a little bit more difficulty with your computer.

Mr. DEAN. That's right. Most of these things can be worked—I think that not only the penalty provisions, but also structuring some sort of an incentive, such as an increasing payment—those could be worked out. And it is just a matter of sitting down with lenders and OPM to work out the details.

Mr. SIKORSKI. I think a comment—I thought of it several times with Director Newman and with Ambassador Laingen here. And because of the time and the votes—and we have another vote up now—I didn't mention it. I talked about this kind of thing for some time and the Chairman and Mr. Gilman have as well, and we all have.

I had four town meetings last week and there are a lot of big issues, abortion, flags and a whole bunch of issues people feel strongly about, catastrophic health included. The issue that came up all the time in my town meetings was education, loans and programs for kids. Kids that were there and kids of people that were there were concerned about paying for their education.

And I sense that a program of this nature would be incredibly attractive to people, not that people couldn't make more money maybe in the multiple of two outside. The fact that you are going to be in public service and that these loans that are staring at you as debt that is attached to your name right as you come out of college would be wiped away or a good chunk of it wiped away is a very, very attractive thing for someone who is just beginning a career and wants to sample around.

So, I think it is a beneficial program, and you can't undersell the part of it that cancels people's loans as they look at service. On the

other hand, to make it fair, to make sure the program doesn't get off the wrong end and be subject to criticism, there is going to have to be some sort of stick in there to match the carrot.

Thank you, Mr. Dean. We appreciate your testimony and that of CBA and look forward to working with you as we develop this through markup and full committee on to the floor.

Mr. DEAN. Thank you.

Mr. SIKORSKI. Thank you.

The hearing is adjourned.

[Whereupon, at 2:20 p.m., the subcommittee was adjourned.]

○